

MAR 7 1997

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MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (ACQUISITION AND
TECHNOLOGY)
PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE
(ACQUISITION AND TECHNOLOGY)
DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION
REFORM)
ASSISTANT SECRETARY OF THE ARMY (RESEARCH,
DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,
DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE AIR FORCE
(ACQUISITION)
DIRECTOR, BALLISTIC MISSILE DEFENSE ORGANIZATION

SUBJECT: Single Process Initiative (SPI) Biweekly Activity Report

Forwarded for your review is our biweekly report for the period ending March 7, 1997. This report contains an update on DCMC's SPI efforts for Acquisition Reform Day and highlights of additional SPI activities since our last report.

Due to Acquisition Reform week activities, the next SPI report will be the March 28, 1997 Quarterly Report. Should you have any questions or concerns regarding information contained in the attached documents, please contact Ms. Marialane Schultz, SPI/Block Change Management Team Leader at (703) 767-2471.

//SIGNED//
ROBERT W. DREWES
Major General, USAF
Commander

Attachment

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Single Process Initiative
Biweekly Report
March 7, 1997

Introduction

Our SPI team continues to enhance SPI activities by participating in conferences and seminars where we are seeing SPI taking hold at all levels of the acquisition process. We have been working hard to engage working level acquisition professionals to use SPI; these efforts are beginning to payoff. These accomplishments plus our featured facility, "DCMC Phoenix-McDonnell Douglas Helicopter Systems, Mesa, AZ" are detailed below.

Workload Statistics

To date, we have received a total of 733 proposed process changes from 149 contractors. This reflects an increase of 32 new processes and 4 new contractors since our last report of 701 and 146, respectively (Note: Loral Western Development Lab contracts and SPI efforts were novated over to Lockheed Martin Western Development Lab in San Jose, CA). Additionally, our Administrative Contracting Officers (ACO) have executed 14 new block change modifications, bringing the total processes modified up to 330.

Appendices A, B, and C contain summary information on SPI activity and details on modifications executed during the current reporting period. Appendix D provides details on new contractors participating in the program. It also provides a list of company name changes resulting from recent acquisitions; SPI activities remain unchanged at these facilities.

Acquisition Reform Day

The selections have been made for the first annual SPI Management Council Award. The award panel selected eight winners in four categories. The judges felt that the outstanding efforts demonstrated by the top applicants justified increasing the number of awards presented from one to two per category. Additionally, we have selected GEC-Marconi Avionics and GEC-Marconi Sensors from the United Kingdom for their outstanding efforts in spearheading changes at an international (overseas) contractor location. The competition for this award was extremely close and selecting the final recipients was not easy. All Management Councils that applied should be justifiably proud of their accomplishments. We are preparing formal letters congratulating the recipients and thanking each applicant for their outstanding efforts.

An award ceremony has been scheduled for March 17, 1997, from 1100-1200 at Headquarters, DCMC, Fort Belvoir, VA, to honor the following management councils for their significant achievements. A reception will immediately follow the award ceremony.

Technical Innovation

- Raytheon Electronic Systems, Bedford, MA
- Lockheed Martin Tactical Aircraft Systems, Fort Worth, TX

Business Re-engineering

- Raytheon Electronic Systems, Bedford, MA
- Hughes Missile Systems Company, Tucson, AZ

Best Practice "Re-Treader"

- Boeing North American, Autonetics and Missile Systems Division, Tactical Missile Systems, Duluth, GA
- Lockheed Martin Missile and Space, Sunnyvale, CA

Supplier Mentoring

- United Defense Limited Partnership, York, PA
- Texas Instruments, Dallas, TX

Best International Facility

- GEC-Marconi Avionics Limited, Kent, United Kingdom
- GEC-Marconi Sensors Limited, Essex, United Kingdom

Integrated Process Teams (IPT)

The Law/Regulation IPT forwarded a proposed DFARS Case to the DAR Council on February 7, 1997 which will facilitate contractor use of approved SPIs on new procurements. Prior to agreeing to formally open a case, the Director, DAR Council has been circulating our proposal for initial comments within OSD to areas such as the Office of the Deputy Under Secretary of Defense (Acquisition Reform), the Director of Defense Procurement staff and the Office of the Deputy Under Secretary of Defense for Industrial Affairs and Installations/Acquisition Practices (ODUSD(IA&I)/AP). The Director, ODUSD(IA&I)/AP has requested us to brief the proposed case to the Defense Standards Improvement Council. The briefing will be held March 14, 1997 at 1300.

The Process Targeting IPT (referred to in previous reports as the proposed Sector Analysis IPT) has been chartered to identify processes that are major cost drivers in a given industry sector. This information will be used to target processes that may offer substantial benefits in cost, schedule, or performance. In addition, the results of the analysis should be useful in identifying opportunities for increasing contractor participation. The IPT will choose one sector as a prototype, develop an analytical methodology for determining its high payback processes, and provide a list of the top processes for that sector. The methodology will then be applied to the other industry sectors. The IPT will have members from the Services, DCMC, DCAA, NASA, and FAA. The DCMC Industrial Analysis Support Office will provide technical and analytical services in support of the IPT's activities. The IPT will have its initial meeting on March 11, 1997, and conduct its initial analysis over a 90-day period.

Featured Facility: DCMC Phoenix-McDonnell Douglas Helicopter Systems-Mesa, AZ

This report features the DCMC Phoenix-McDonnell Douglas Helicopter Systems-Mesa Office. The DCMC, DCAA and McDonnell Douglas Helicopter Systems (MDHS) Single Process Initiative (SPI) Integrated Process Team (IPT) has developed a spreadsheet matrix that provides a ready and complete status on MDHS *Concept Paper Submissions, Initiatives in Development, Potential Candidate Ideas*, and *McDonnell Douglas Corporate Initiatives*. The MDHS *Initiatives In Development* portion of the matrix is the result of an IPT prioritization of the highest potential SPI candidates. This prioritization is based on scoring each potential candidate on a scale of 1 to 5 in the areas of potential payoff to both the government and the contractor, the probability of actually implementing the concept, the potential cost of implementing the concept, and the potential difficulty in processing a modification (e.g., would it require statutory change). Prioritizing process candidates greatly improves contractor and government efficiency in selecting potential concepts, estimating potential benefits, and expeditiously processing concept papers. The priority identification process is currently being applied throughout DCMC Phoenix and will also be shared with the Phoenix area Valley of the Sun SPI Contractor Group.

Enhancing Awareness

The American Defense Preparedness Association (ADPA) held a symposium and conference in New Orleans, LA, March 3-5, 1997. Over 250 participants attended the conference which largely focused on the impact of acquisition reform to date and the potential influence they may have on the test and evaluation community. Both the Deputy Commander, DCMC and the SPI Team Leader participated in the conference to advocate SPI and outline its merits and successes. Mr. James Blackwell, President/COO of Lockheed Martin Aeronautics Sector lauded SPI as one of DoD's most important and effective acquisition reform tools. He discussed SPI at length, indicating that Lockheed Martin is committed to using SPI to its maximum potential. Moreover, Mr. Blackwell highlighted the need for prime contractors such as Lockheed Martin to extend the full benefits of SPI to their suppliers. He emphasized that this may be difficult initially as primes take steps to relinquish control over supplier processes. Several other conference participant and briefings identified SPI as a key element of their acquisition reform efforts and provided examples of successes they had achieved through SPI.

During the last week of February, we visited several sites in Phoenix and Tucson, including members of the Valley of the Sun SPI group (Allied Signal Engines, Motorola, and McDonnell Douglas Helicopter Systems), DCMC-Phoenix, and Hughes Tucson. We also participated in an SPI focal point meeting at the Lockheed Martin Corporate office in Bethesda, MD. All four locations were provided with an update of the current SPI program focus and strategic direction. Participants at each venue were enthusiastic about the newly formed Process Targeting IPT. They are also pleased that we are aggressively seeking a solution to the new procurements issue. A synopsis of common issues raised at these locations is provided as follows:

WHAT IS WORKING:

DCMC-Phoenix, under COL Canata's leadership, has developed and deployed metrics for measuring SPI performance that are in line with our current priorities. For example, to ensure "idea papers" quickly evolve into mature concept papers, COL Canata measures the number of idea papers in-work compared to formal concepts in-process. He also looks at the number of contractors participating in SPI and compares that list to their local marketing plan ("prospect list") and questions his staff on actions being taken to grow the list with desired prospects.

All Arizona contractor facilities visited use a ranking system to prioritize ideas prior to developing them into full blown concept papers; some are more sophisticated than others. For example, McDonnell Douglas lists a host of potential ideas, but rather than pursuing all at once, limited resources are channeled only toward those that are deemed to have high potential. They have devised a ranking system that includes criteria for probability for success (e.g., changes to property may be assigned a low probability of success whereas changes to wire bundling may be assigned a high probability for success). Ranking potential ideas prior to working them into concept papers is parallel to what we are doing at headquarters with our Process Targeting IPT. While we strongly encouraged this approach, facilities were cautioned not to allow their ideas to languish before fully developing them into concept papers.

Hughes Tucson's management council is working extremely well with very strong support from senior management on behalf of the company, the services, and the CAO (CAPT Feerer). Decisions were being made on the spot based on IPT technical input to expedite concept papers through the process.

WHAT IS NOT WORKING:

Facilities are continuing to express concerns that the DFAS Mega Center has held up implementation of block change modifications to the extent that the 120 day processing time limit is often exceeded. The root cause of the problem was a software glitch that affected inputting ARZ modifications. DFAS reported that they corrected the software problem in late January, but a significant backlog of modifications remain in the queue. We are working directly with DFAS to expedite block changes.

We are continuing to experience problems with new solicitations not allowing for the use of approved SPI processes. We are now collecting data from contractors and our CAOs to determine the extent of the problem and to provide solid examples of instances where contractors have encountered obstacles.

Some prime contractors are imposing their approved SPI processes (based on their own internal practices) or other processes that are inconsistent with processes used by their subcontractors or suppliers. For example, at a recent industry conference, one major

subcontractor stated that they continue to receive subcontracts that impose prime contractor-unique versions of ISO 9001. These versions are substantially different from the version that they have implemented under SPI. This is a slight variation from the traditional prime/sub issues encountered previously, but not entirely unexpected. We are investigating how to best resolve this concern.

Concluding Remarks

We are working to enhance SPI effectiveness by broadening its application to other business sector areas. We remain tenacious about identifying and removing implementation barriers, most particularly ones that may threaten the program's longevity by preempting the use of approved SPI processes on future contracts. As our report indicates, we are making strides in these areas and are committed to heightening the success of this important endeavor.

Appendix Index

- Appendix A - Executive Summary**
- Appendix B - Charts**
- Appendix C - Modifications Completed During Reporting Period**
- Appendix D - New Contractors & New Contractor Names During Reporting Period**

APPENDIX A

Summary Report as of March 5, 1997

Contractors Which Have Submitted Concept Papers:	149
Key Customer Notification Complete:	131
Component Team Leaders Identified:	109
Total Concept Papers Received:	631
Concept Papers Withdrawn:	71

Concept
Papers

Proposal
Development -
Concept Paper -
(30 Days)

Concept papers may contain multiple processes

Total Proposed Process Changes:	733
Number Initially Accepted :	650
Not Accepted Within 30 Days of Initial Submission:	37

Approval Cycle -
Customer
Notification and
Agreement -
Resolution of
Differences -
(60 days)

Found Technically Acceptable:						353
Found Unacceptable:						21
Components objecting						
AF	Army	Navy	DLA	DCMC	NASA	
8	6	9	3	17	0	
Disagreements/Problems Escalated:						2
Not approved within 60 days of Mgt Cncl Acceptance:						146

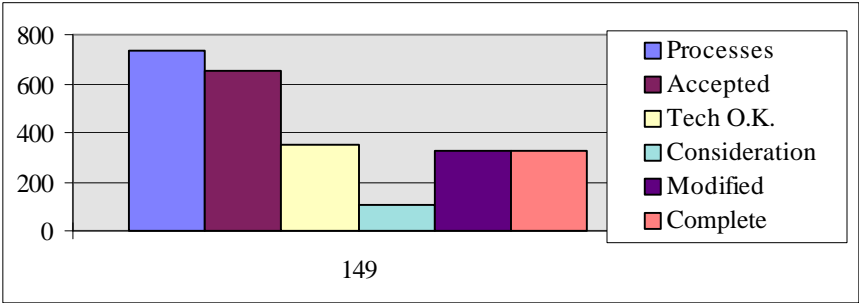
Modification
Issuance -
Negotiation of
Consideration
(30 Days)

Processes Modified:	330
All Actions Complete:	324
Not Modified within 30 days after Tech Acceptance:	94

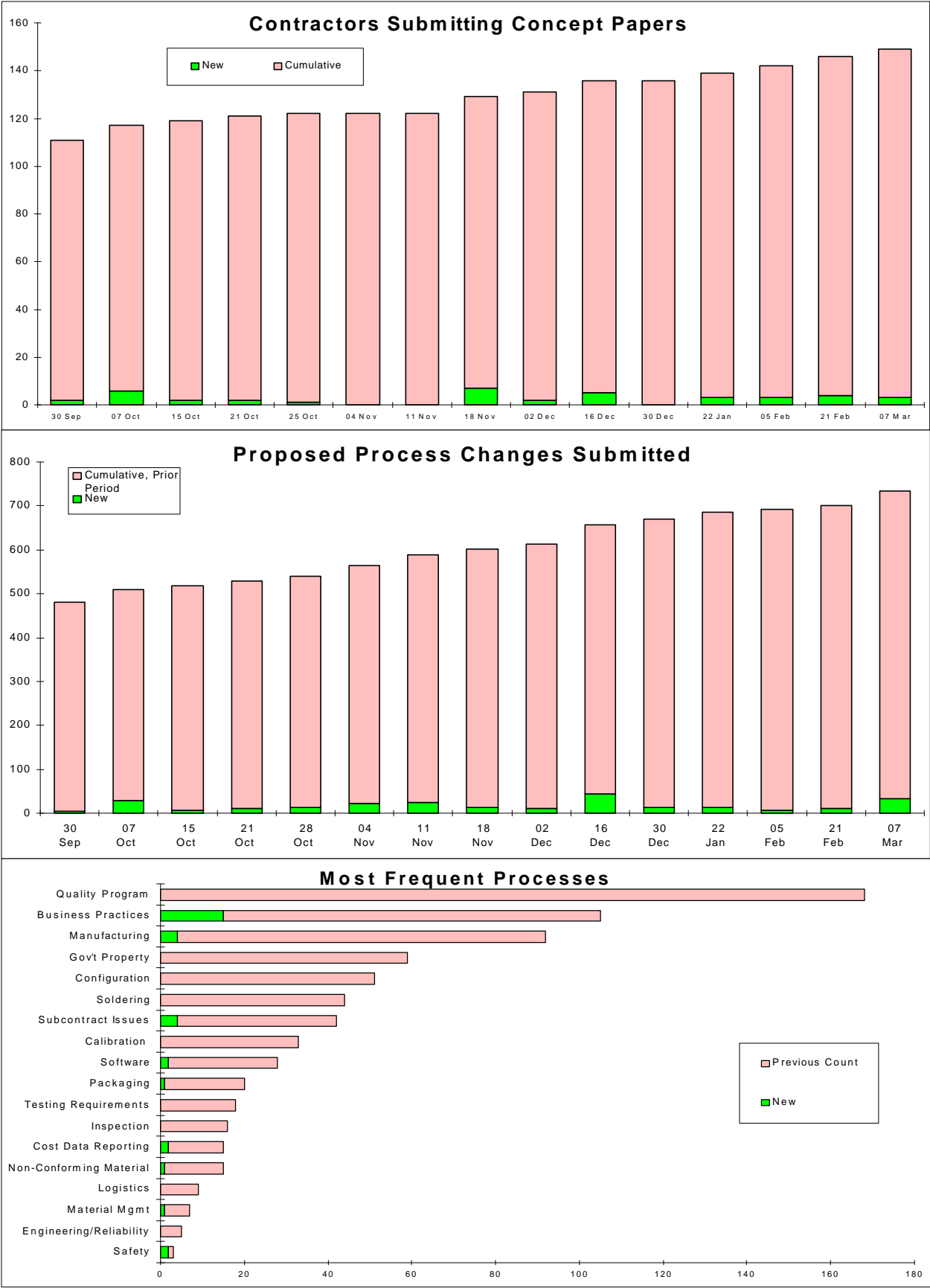
Consideration Requested by Government:	107
Cost Proposals Received:	42
Consideration Finalized:	19

Average Days From Submittal to Mod:	128
Currently Active:	332

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APPENDIX B



APPENDIX C

***Details on Block Change Modifications Completed
During this Reporting Period***

<u>Contractor</u>	<u>Old Process</u>	<u>New Process</u>
AAI Corporation, Hunt Valley, MD	MIL-STD-1535B, Supplier QA Reqmts MIL-STD-45662, Calibration Systems DFARS 242.803, Contractor Billing Process	AAI's Preferred Supplier Program ISO-10012-1 Direct Billing Program: Submit Vouchers to DFAS
Boeing Defense & Space Group, Helicopters Division, Philadelphia, PA	MIL-Q-9858A	ISO-9000 based Quality System
Lockheed Martin Electronics Defense Systems, Yonkers, NY	DOD-STD-2167/-2168, Software Development	MIL-STD-498
Lockheed Martin Government Electronic Systems, Moorestown, NJ	Contract Data Items for Qtrly Defect Summary Reports FAR 31.205-18(c)(2)(ii)	Replace government format with contractor format Eliminate the IR&D/B&P reporting requirement
Lockheed Martin, Johnson City, NY	DOD/MIL-STD-2167A/-498	Contractor's S/W Development Process
Lockheed Martin, Syracuse, NY	DOD/MIL-STD-973/-480/-481/-482/-483/-490/-804/-1521/-17655/-31000/-105E	ANSI/ISO/ASQC Q10007, Ktr Config Mgmt Process
McDonnell Douglas Helicopter Systems Mesa, AZ	FAR and DFARS	Submission of Proposal Reps & Certs
Ohm Remediation Services Corp, Findlay, OH	Contractor Billing Process	Direct Billing Program: Submit Vouchers to DFAS
Spectral Systems, Inc., Dayton, OH	Contractor Billing Process	Direct Billing Program: Submit Vouchers to DFAS
Spectra Research, Inc., Dayton, OH	Contractor Billing Process	Direct Billing Program: Submit Vouchers to DFAS
Sverdrup, Dayton, OH	Contractor Billing Process	Direct Billing Program: Submit Vouchers to DFAS

APPENDIX D

Details on New Contractors

<u>Contractor</u>	<u>Old Process</u>	<u>New Process</u>
Ohm Remediation Services Corp, Findlay, OH	Contractor Billing Process	Direct Billing Program: Submit Vouchers to DFAS
Spectral Systems, Inc., Dayton, OH	Contractor Billing Process	Direct Billing Program: Submit Vouchers to DFAS
Spectra Research, Inc., Dayton, OH	Contractor Billing Process	Direct Billing Program: Submit Vouchers to DFAS
Sverdrup, Dayton, OH	Contractor Billing Process	Direct Billing Program: Submit Vouchers to DFAS

Company Acquisitions New Contractor Names, Same SPI Efforts

<u>New Contractor Name</u>	<u>Former Contractor Name</u>
Loral Western Development Lab, San Jose, CA	Lockheed Martin Western Development Lab, San Jose, CA